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USDA FOR FAS/OA/TERPSTRA, FAS/ITP/SHEIKH, MIRELES, AND
ZIMMERMAN, FAS/FAA/YOUNG AND SEBRANEK,
APHIS/PPQ/ENRIGHT,
ACKERMAN, AND MCGOWAN, APHIS/IS/MITCHELL
STATE PASS TO USTR FOR BWEISEL AND LCOEN

CANBERRA FOR AGRICULTURAL COUNSELOR

E.O. 12958: N/A

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SUBJECT: VISIT TO NEW ZEALAND OF USDA SECRETARY JOHANNS

REF: USDA FAS 6673310

¶1. Summary: During his visit to New Zealand, Secretary of Agriculture Johanns emphasized the U.S. commitment to an ambitious outcome to the WTO, including the reduction of global trade distortions in agriculture. The Secretary told Prime Minister Clark, Agriculture Minister Sutton, and others that the U.S. - New Zealand agricultural trade relationship is strong and that the two countries work closely and effectively to achieve export trade opportunities for their farm communities. In response to the New Zealand press for free-trade negotiations with the United States, Johanns said that while there were no current plans for such talks, they had not been ruled out. End Summary

¶2. The Secretary was accompanied on his August 21 to 23 visit by J.B. Penn, Under Secretary for Farm and Foreign Agricultural Services; Ellen Terpstra, Administrator of USDA's Foreign Agricultural Service; and, several other USDA officials. The Secretary was hosted by Prime Minister Clark at a working lunch attended by Sutton, who also is Minister for Trade Negotiations; Minister for Food Safety Annette King; and, representatives of New Zealand's leading farm and agribusiness sectors. In addition, the Secretary met with David Carter, the opposition National Party's spokesman on agricultural issues. Accompanied by Minister Sutton, Secretary Johanns also visited livestock farming operations near Hamilton in the country's Waikato region and an experimental dairy farm operated by Dexcel, the grower-owned research arm of the New Zealand dairy industry. He attended a reception hosted by the Embassy and the American Chamber of Commerce in New Zealand.

¶3. WTO Trade Negotiations. In bilateral meetings with Sutton and Carter and at the lunch with Prime Minister Clark, Secretary Johanns reiterated the U.S. commitment to reducing global trade distortions for agriculture through the World Trade Organization (WTO). Secretary Johanns pointed to President Bush's challenge posed at the G-8 Summit in Gleneagles, calling for the elimination of all agricultural trade-distorting domestic support. The disparity between trade-distorting amber box ceilings for the EU (\$80 billion) and Japan (\$32 billion) and only \$19.1 billion for the United States was noted by the Secretary during discussions. The Secretary made clear that the United States would not unilaterally cut domestic support, and that our cuts would depend on comparable gains in market access. Congress would not otherwise approve domestic support reductions.

¶4. The USDA delegation noted a successful conclusion of the Doha Round would help to shape the next U.S. Farm Bill early next year. The Secretary described as regrettable the lack of EU progress on market access and other EU agricultural trade barriers. Secretary Johanns repeatedly pointed to the need for a good outcome at the December Ministerial meeting in Hong Kong, noting the existing farm bill could be "repackaged" and extended until 2012 if the Doha Round fails.

¶5. Minister Sutton stressed that New Zealand shares the same market access objectives in the negotiations. He agreed that the EU, as well as Japan, needed to make "significant movement" on market access, but added "we won't get everything." Sutton said that Japan and the EU would have to compensate for items they deem "sensitive" by offering something of value in return. Sutton added that developing countries, particularly Brazil, China, and India, needed to agree on a meaningful formula for reducing their tariffs on industrial products. He identified these areas, together with U.S. reductions in domestic agricultural support, as the key ingredients needed to achieve success in the WTO. Sutton said the larger players need to show leadership in the negotiations, noting he does not view the EU's actions on CAP and export subsidies as "minimalist."

16. Minister Sutton agreed with Secretary Johanns' assessment that a basic framework needed to be in place by the time of the December Ministerial. Leaving too much undone would not bode well for a successful outcome. Sutton raised the possibility of a mini-ministerial meeting before Hong Kong. Secretary Johanns indicated that the United States is willing to participate in any meeting that could move the process forward.

17. Secretary Johanns commented that the QUINT meeting in Australia was useful, but that no significant WTO progress was achieved. Minister Sutton referred to troublesome trade issues between New Zealand and Australia, including Australian industry opposition to imports of New Zealand potatoes to supply McDonald's, an expectation that New Zealand would seek WTO dispute resolution regarding Australia's import ban on New Zealand apples based on fire blight, and mandatory country of origin labeling that New Zealand views as protectionist.

18. Free Trade Agreement (FTA). Prime Minister Clark and other New Zealand government officials as well as industry representatives reiterated their interest in a free trade agreement with the United States. Secretary Johanns told them that there were "no current plans but the door is not closed" to FTA talks. He explained to the officials and the media that the United States assesses every FTA opportunity independently, based upon timeframe, resource demands, and economic considerations. The Secretary suggested taking a look at the history of the Central American Free Trade Agreement (CAFTA). Partisan politics led to its narrow passage despite the obvious trade advantages to the United States. Another factor to consider is the scheduled expiration of the Administration's Trade Promotion Authority (TPA) in July 2007. He added that for now, our trade policy energies have shifted to the WTO.

19. At a working lunch for the Secretary, Prime Minister Clark and Government of New Zealand and industry representatives noted the importance of the United States as New Zealand's most important single country market for its agricultural exports. Murray Sherwin, Director General of the Ministry of Agriculture and Forestry, said that his Ministry is "happy with its constructive engagement" with USDA. U.S. - New Zealand cooperation on the apples/fire blight issue was mentioned. Jeff Grant, Chairman of Meat and Wool New Zealand, raised the possibility of working together on Japan's duty snapback on meat imports and industry cooperation under the Tri Nations Lamb Group.

10. Minister King raised her government's request for a waiver to new BSE mitigation measures for New Zealand beef products entering the United States, based upon New Zealand's BSE-free status. New Zealand's Food Safety Authority recently completed an assessment of the United State's BSE regime and determined its safeguards to be equivalent to those provided by New Zealand's BSE measures. New Zealand's dairy industry officials emphasized the importance of the U.S. market and pointed to joint marketing arrangements that Fonterra has with Dairy Farmers of America to export U.S. non-fat dry milk powder and to produce milk protein concentrate in the United States. They expressed concern about possible U.S. restrictions on milk protein concentrate imports. New Zealand's kiwifruit industry representative said they would like current duty free access to the United States bound by an FTA.

11. Media Reaction. Newspaper coverage of the Secretary's visit was very favorable. The deputy

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editor of New Zealand's largest circulation daily, the New Zealand Herald, interviewed Secretary Johanns, who also participated in a taped interview run on a nationally televised news program and in a question-and-answer session with Minister Sutton. The visit was depicted in the press as offering Secretary Johanns an opportunity to become better acquainted with New Zealand's agriculture. The Secretary's assessment that New Zealand's farmers were flourishing in a non-subsidized, market-oriented environment was reported widely. Secretary Johanns emphasized that the United States enjoys a close relationship with New Zealand and looks forward to working with whatever New Zealand Government emerges from the September election to achieve our common agricultural trade objectives.

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